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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2008 AND ENDING 12/31/2008
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

CAPSTONE SALES ADVISORS, LLC

OFFICIAL USE ONLY

FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

44 WALL STREET, 4TH FLOOR

(No. and Street)

NEW YORK

(City)

NEW YORK

(State)

10005

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Robert V. McGann

(212) 232-1448

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Kempisty & Company, Certified Public Accountants, P.C.

(Name - if individual, state last, first, middle name)

15 Maiden Lane, Suite 1003

(Address)

New York

(City)

New York

(State)

10038

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2).

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SEC 1410 (06-02)


OATH OR AFFIRMATION

I, Robert V. McGann, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CAPSTONE SALES ADVISORS, LLC, as of December 31, 20 08, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Not Applicable

DIERDRE STEINHAUS AINBINDER
Notary Public, State of New York
No. 01A14899711
Qualified in Nassau County 11
Commission Expires July 6, 20 11

Dierdre Steinhause Ainkinder
Notary Public


Signature

Chief Financial Officer

Title

This report** contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

CAPSTONE SALES ADVISORS, LLC

Statement of Financial Condition

December 31, 2008

(With Independent Auditor's Report Thereon)

CAPSTONE SALES ADVISORS, LLC

DECEMBER 31, 2008

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KEMPISTY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, P.C.

15 MAIDEN LANE - SUITE 1003 - NEW YORK, NY 10038 - TEL (212) 406-7272 - FAX (212) 513-1930

INDEPENDENT AUDITORS' REPORT

To the Members of
Capstone Sales Advisors, LLC

We have audited the accompanying statement of financial condition of Capstone Sales Advisors, LLC as of December 31, 2008. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Capstone Sales Advisors, LLC as of December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

Kempisty & Company CPAs PC

Kempisty & Company
Certified Public Accountants PC
New York, New York
March 31, 2009

CAPSTONE SALES ADVISORS, LLC

STATEMENT OF ASSETS, LIABILITIES AND MEMBERS' EQUITY

December 31, 2008

ASSETS

| | |
|---|----------------------------|
| Cash and cash equivalents | \$ 1,323,501 |
| Due from clearing broker dealers | 468,228 |
| Receivable from other broker dealers | 687,103 |
| Receivable from related party | 1,903,601 |
| Fixed assets, net of accumulated depreciation | 17,051 |
| Prepaid expenses | <u>29,358</u> |
| TOTAL ASSETS | \$ <u>4,428,842</u> |

LIABILITIES AND MEMBERS' EQUITY

| | |
|--|----------------------------|
| Accounts payable and accrued expenses | \$ 251,304 |
| Accrued bonus | 120,000 |
| Brokerage payable | 148,572 |
| Payable to related party | <u>2,503</u> |
| TOTAL LIABILITIES | 522,379 |
| Members' Equity | <u>3,906,463</u> |
| TOTAL LIABILITIES AND MEMBERS' EQUITY | \$ <u>4,428,842</u> |

The accompanying notes are an integral part of these financial statements.

CAPSTONE SALES ADVISORS, LLC

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 1- ORGANIZATION AND NATURE OF BUSINESS

Capstone Sales Advisors, LLC, a New York limited liability company (the "Company") is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"), the National Futures Association ("NFA") and the International Securities Exchange ("ISE").

The Company earns commission income as a broker by introducing and forwarding transactions and accounts of customers to another broker-dealer who carries such accounts on a fully disclosed basis.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Concentration of Credit Risk

The Company is engaged in various investment and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

At December 31, 2008 the Company's clearing brokers held net assets of \$468,228 on behalf of the Company.

Additionally, cash balances are held at a bank and may at times exceed the insurable limit of the Federal Deposit Insurance Corporation ("FDIC"). The Company believes it mitigates its risk by investing in or through major financial institutions and actively monitoring the credit standing of those institutions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Securities and futures transactions and the related income and expenses are recorded on the books on a trade date basis. Commission income and all expenses are recorded on an accrual basis.

CAPSTONE SALES ADVISORS, LLC

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation and Amortization

The cost of furniture and equipment is depreciated over the estimated useful lives of the related assets of three to seven years. Software is depreciated over 5 years. Depreciation is computed on a straight-line basis for financial reporting purposes and on an accelerated basis for income tax purposes.

Recent Accounting Pronouncements

The Company does not expect the adoption of recent accounting pronouncements to have any material impact on its financial condition or results of operations.

Fair Value of Financial Instruments

Financial instruments are recorded at fair value in accordance with FASB Statement No. 157.

NOTE 3- INCOME TAXES

No provisions for federal and state income taxes are made in the financial statements as these taxes are the responsibility of the member under this form of organization.

NOTE 4- RECEIVABLE FROM CLEARING BROKERS

Amounts receivable from the Company's clearing organizations at December 31, 2008, consist of the following:

| | <u>Receivable</u> |
|---|-------------------|
| Due from Fortis Clearing Americas, LLC | \$ 432,725 |
| Due from Goldman Sachs Execution and Clearing, L.P. | 35,503 |
| | <u>\$ 468,228</u> |

NOTE 5- SECURITIES OWNED AND SOLD, NOT YET PURCHASED

As of December 31, 2008 the Company had no marketable securities owned or sold, not yet purchased.

NOTE 6- RELATED PARTY TRANSACTIONS

The Company shares office space leased by an affiliated party Capstone Holding Group, LLC ("CHG"); as part of an on-going expense sharing agreement with CHG, the Company is charged \$1,000 per month for rent, \$10,000 per month for other services and a variable technology charge of approximately \$3,500 per month.

CAPSTONE SALES ADVISORS, LLC

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 6- RELATED PARTY TRANSACTIONS (continued)

Additionally, the Company has brokerage customers that are subsidiaries of affiliates, or are funds managed by affiliates including Capstone Trading LLC, Capstone Fixed Income LLC, and funds managed by Capstone Investment Advisors LLC (CIA) such as Capstone Volatility Master (Cayman) Ltd and capstone Vega Shield Master (Cayman) Ltd. The funds managed by CIA are owned by non-affiliated qualified investors and have the right to remove the manager through a shareholder vote acting through the directors. All brokerage accounts are conducted as arms-length transactions.

NOTE 7- NET CAPITAL REQUIREMENTS

The Company is a member of the Financial Industry Regulatory Authority, the National Futures Association and the International Securities Exchange, and is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1. The SEC Uniform Net Capital Rule 15c3-1 requires that the ratio of aggregate indebtedness to net capital may not exceed 15 to 1, and equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2008, the Company's net capital was \$1,269,350 which was \$1,219,350 in excess of its net capital requirement of \$50,000. At December 31, 2008, the Company's percentage of aggregate indebtedness (as derived from Rule 15c3-1) to net capital was .2945 to 1. At December 31, 2008, the Company's net capital requirement as a member of the National Futures Association, while following the same net capital calculation guidelines of SEC Rule 15c3-1, is \$45,000.

NOTE 8- OFF BALANCE SHEET RISK

Pursuant to clearance agreements, the Company clears its securities and futures transactions through clearing brokers. Under certain conditions as defined in the clearance agreements, the Company has agreed to indemnify its clearing broker for losses, if any, which its clearing broker may sustain from carrying these transactions initiated by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing broker monitor collateral on the transactions introduced by the Company.

NOTE 9- GUARANTEES

FASB Interpretation No. 45 (FIN 45), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, requires the Company to disclose information about its obligations under certain guarantee arrangements. FIN 45 defines guarantees as contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in an underlying (such as an interest or foreign exchange rate, security or commodity price, an index or the occurrence or non occurrence of a specified event) related to an asset, liability or equity security of a guaranteed party. FIN 45 also defines guarantees as contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement as well as indirect guarantees of the indebtedness of others.

CAPSTONE SALES ADVISORS, LLC

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 9- GUARANTEES (continued)

Indemnifications

In the normal course of its business, the Company indemnifies and guarantees certain service providers, such as clearing and custody agents, trustees and administrators, against specified potential losses in connection with their acting as an agent of, or providing services to, the Company or its affiliates. The maximum potential amount of future payments that the Company could be required to make under the indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statements for these indemnifications.

The Company provides representations and warranties to counterparties in connection with a variety of commercial transactions and occasionally indemnifies them against potential losses caused by the breach of those representations and warranties. The Company may also provide standard indemnifications to some counterparties to protect them in the event additional taxes are owed or payments are withheld, due either to a change in or adverse application of certain tax laws. These indemnifications generally are standard contractual terms and are entered into in the normal course of business. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the consolidated financial statements for these indemnifications.

Exchange Member Guarantees

The Company is a member of various exchanges that trade and clear securities and/or futures contracts. Associated with its membership, the Company may be required to pay a proportionate share of the financial obligations of another member who may default on its obligations to the exchange. While the rules governing different exchange memberships vary, in general the Company's guarantee obligations would arise only if the exchange had previously exhausted its resources. In addition, any such guarantee obligation would be apportioned among the other non-defaulting members of the exchange. Any potential contingent liability under these membership agreements cannot be estimated. The Company has not recorded any contingent liability in the financial statements for these agreements and believes that any potential requirement to make payments under these agreements is remote.